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FISCAL IMPACT REPORT

SPONSOR: SFC DATE TYPED: 3/19/03 HB _____

SHORT TITLE: Hearings on Public Utility Rate Adjustments SB 597/SFCS

ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Legislative Finance Committee files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Department of Environment (NMED)

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 597 amends NMSA 1978, Section 62-8-7.1 to allow for certain public water and wastewater utilities to make rate adjustments without a hearing before the Public Regulation Commission (PRC) under select circumstances. The bill defines these criteria for utilities serving 1,000 service connections or less and for utilities serving between 1,000 to 5,000 service connections.

For the first tier of utilities, they may increase their rates by not more than 8 percent/annually to adjust for inflation, adjust for commodity charges, and adjust for electricity charges, up or down, without a rate-case before the PRC. The utility shall provide written notice to ratepayers and the PRC within 30 days after filing of the rates.

For the second tier of utilities, they will be allowed to raise their rates not more than 8 percent/annually if its average 3-year rate is not more than 50 percent of the average monthly utility rate base. (The approximate average monthly utility billing is \$26.00.)

Ratepayers will have 20 days to protest increases, but will be required to present to the Commission a petition of 25 percent of the ratepayer base for the utility requesting the increase. If protested, the utility will be required to go through a PRC rate case.

Significant Issues

Several regulated utilities have testified to the LFC and other legislative committees about the length of time that it takes the PRC to act on and complete docketed cases. Water utilities in particular have been concerned about having to go through a full-blown rate case when requesting only a nominal increase in rates such as an inflationary increase. Further, these utilities have requested increases where ratepayers have no objections but have not been able to receive an expedited decision. An added concern is that the water utilities incur technical and legal costs in each rate case, which ultimately get passed on to the consumer. This bill recognizes that where the requested fee increase is minimal and uncontested, the rate case should be expedited.

The 50-percent cap on average monthly billing would exclude those utilities with high utility charges. A key example of a utility that would not be able to increase rates under this bill is the water utility company serving the Eldorado community east of Santa Fe.

FISCAL IMPLICATIONS

The committee substitute for Senate Bill 597 does not contain an appropriation.

The LFC has recommended several performance measures with targets to focus attention on this issue of timeliness. These measures are shown below:

- Percent reduction in average number of days to complete a water utility rate case: 25%
- Average number of days to complete a water utility rate case: 194.4 days
- Percent reduction in the number of water utility rate cases on the PRC docket: 25%
- Percent reduction in the number of docketed cases before the PRC: 25%

Improving the number of cases going through the PRC could actually make available more resources for larger more complex cases.

MFV/njw